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September 16, 1996

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

**BY COURIER**

William F. Caton, Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

**EX PARTE PRESENTATION**

Re: **Implementation of the Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of  
1996, CC Docket No. 96-128**

Dear Mr. Caton:

On behalf of the American Public Communications Council ("APCC"), this letter is submitted regarding the level of compensation that should be prescribed under Section 276 of the Act. 47 U.S.C. § 276.

Concerns have been expressed that per call compensation for non-coin calls (e.g., subscriber 800 calls and access code calls) should be less than compensation for local coin calls, on the theory that, while coin collection costs are incurred in connection with local coin calls, there is no cost associated with collection of compensation for non-coin calls.<sup>1</sup> This assertion is contrary to the practical experience of IPP providers. In fact, IPP providers incur substantial costs in collecting compensation for non-coin access code calls under the current access code compensation regulations of the FCC.

A description of the access code compensation collection process as it currently functions is enclosed with this letter.

As shown in the enclosure, disputed unpaid amounts currently account for about 10% of billed access code compensation revenues. In addition, even when payment is not disputed, payment is delayed for 3-6 months after placement of the call. This adds an

<sup>1</sup> APCC does not agree that any differential in collection costs should result in lower levels of non-coin compensation. Compensation should be based on market surrogates. However, assuming that such a differential would be relevant to the level of compensation, this letter shows there is no reason to believe that collection costs are lower for non-coin calls.

William F. Caton, Secretary  
September 16, 1996  
Page 2

additional 3% or so in interest compared with the timing of coin collection. Collection fees by clearinghouses are between 4% and 10% of billed revenue. Thus, collection shortfalls and collection costs total at least 17-23% of billed revenue. And this estimate does not even include the internal expenses incurred by individual IPP providers.

In summary, based on experience to date under the access code compensation system, costs of collecting non-coin compensation are very substantial. Assuming that relative collection costs are relevant to the level of Section 276 compensation, the record provides no reason to believe that non-coin compensation collection costs are lower than coin compensation collection costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Albert H. Kramer". The signature is fluid and cursive, with the first name "Albert" and last name "Kramer" clearly distinguishable.

Albert H. Kramer

AHK/nw  
Enclosures

### **Description of the Current Access Code Compensation Collection Process**

Each IPP provider gathers a list of all its payphone line numbers ("ANIs") eligible for compensation that are in service on the last day of a calendar quarter. The IPP provider then submits this list to the interexchange carriers ("IXCs") either directly or through a clearinghouse (clearinghouses handle over 300,000 of the 350,000 ANIs submitted for payment). Simultaneously with the IPP submission to the IXCs, local exchange carriers ("LECs") are required to submit to IXCs a list of IPP ANIs they show as being in service in their region on the last day of the same calendar quarter. IXCs may use this LEC list as a check against the IPP submissions to "verify" eligibility for compensation. IXCs process requests for payment and return a check and payment report to the IPP at the end of the following calendar quarter. The payment report indicates on which ANIs compensation was paid and on which ANIs compensation was not paid. Reasons for non-payment are indicated by assignment of an error code.

The timing is such that even in a best case scenario, compensation for an eligible call placed in January would not be received by the IPP provider until early July. That compensation would be net of fees paid to the clearinghouse for its role in the collection process.

The best case scenario is not the usual case, however. APCC's experience operating the industry's largest clearinghouse (billing approximately 200,000 ANIs per quarter) shows it is quite common for IXCs to dispute the validity of legitimate ANIs submitted for compensation. Such disputes primarily occur because LECs submit either erroneous information (error code 14) or no information (error code 12). IXCs cite the LEC's failure to comply with its obligations as a reason to withhold compensation. IPP providers then must go through a complicated and time consuming dispute resolution process to obtain compensation on the disputed ANIs. Only a minority of disputes have been resolved to date. See attached spreadsheet. Further, several of the IXCs refuse to pay compensation at all, or reject invoices for prior periods for previously unsubmitted ANIs, or pay well beyond the dates due.

APCC's experience with IPP compensation over the last two years is shown on the attached spreadsheet.<sup>1</sup> As the spreadsheet illustrates, the net effect of LEC noncompliance and IXC recalcitrance is that actual compensation received by IPP providers is significantly less than granted the amount prescribed under the FCC orders. Of the \$28,811,844 expected, only \$25,973,743 was received.<sup>2</sup> This amounts to a shortfall of \$2,838,100, or roughly 10%, before clearinghouse fees are deducted. Even when payment is not disputed, payment is delayed for 3-6 months after placement of the call. This adds an additional 3% or so in interest compared with the timing of coin collection. In addition, clearinghouse fees amount to between 4% and 10% of the \$6 per month compensation. Thus, total shortfalls and costs incurred in collection of non-coin compensation are in the neighborhood of at least 17-23%. Furthermore, this estimate does not even include the internal expenses incurred by individual IPP providers to prepare and keep track of their invoices.

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<sup>1</sup> Note that since the first quarter of 1995, AT&T has paid compensation on a per call basis for approximately 60% of the ANIs submitted for payment, and the balance on flat rate. Sprint began a similar per call system beginning with the third quarter of 1995. Total compensation received by IPP providers per ANI has remained relatively equal under per call compared to the pure flat rate system.

<sup>2</sup> The expected amounts are based on billing of \$6.00 per payphone per month under the flat-rate system. The disputes reflected in the chart concern only the eligibility of ANIs for compensation. Under a per-call compensation system, there also will be disputes over the volume of calling from eligible ANIs. These disputes are likely to result in additional shortfalls and dispute resolution costs.

## APCC Dial Around Compensation Clearinghouse Collection History

<i>Quarter</i>	<i># of ANIs</i>	<i>Expected \$</i>	<i>Received \$</i>	<i>Shortfall</i>	<i>#Disputed</i>	<i>#Disputed</i>	<i>#Disputed</i>
		<i>Amount</i>	<i>Amount</i>		<i>ANIs</i>	<i>Cleared</i>	<i>Outstanding</i>
1994 Q1	204,482	\$ 3,680,676.00	\$ 3,567,563.94	\$ (113,112.07)	25,616	7,572	(18,044)
1994 Q2	197,277	\$ 3,550,986.00	\$ 2,777,540.35	\$ (773,445.65)	30,174	8,415	(21,759)
1994 Q3	196,303	\$ 3,533,454.00	\$ 3,415,049.92	\$ (118,404.08)	36,654	10,126	(26,528)
1994 Q4	199,045	\$ 3,582,810.00	\$ 3,425,197.70	\$ (157,612.30)	33,025	8,472	(24,553)
* 1995 Q1	196,983	\$ 3,545,694.00	\$ 2,691,478.22	\$ (854,215.78)	32,396	6,809	(25,587)
* 1995 Q2	203,720	\$ 3,666,960.00	\$ 3,456,433.30	\$ (210,526.70)	27,494	3,749	(23,745)
* 1995 Q3	194,239	\$ 3,496,302.00	\$ 3,227,976.04	\$ (268,325.96)	28,607	2,499	(26,108)
* 1995 Q4	208,609	\$ 3,754,962.00	\$ 3,412,504.39	\$ (342,457.61)	27,716	1,508	(26,208)
TOTAL	1,600,658	\$ 28,811,844.00	\$ 25,973,743.86	\$ (2,838,100.14)	241,682	49,150	(192,532)

## **Explanation of Spreadsheet**

### **# of ANIs**

- ♦ This is the total number of ANIs submitted for compensation, less the ANIs that were duplicates or determined to be ineligible for compensation by virtue of not being IPP lines.

### **Expected \$ Amount**

- ♦ The number of ANIs times \$6 per month (\$18 per quarter)

### **Received Amount**

- ♦ Total compensation received from IXC's, including any payments for resolution of past disputes and for ANIs covering earlier quarters.

### **Shortfall**

- ♦ Difference between expected compensation and actual payments.

### **Disputed ANIs**

- ♦ The number of ANIs disputed because of a mismatch in LEC data compared to IPP data for billing name and address (error code 14) and/or no LEC data submitted (error code 12) by either Sprint or the Cincinnati Bell clearinghouse which represents and does processing of compensation requests on behalf of AT&T, MCI and Alascom.

### **Disputes Cleared**

- ♦ The number of disputes out of the number identified in the previous column which have been resolved as of 9/11/96. Any compensation for these resolved disputes is included in the Amount Received column for the quarter in which it was received.

### **Disputes Outstanding**

- ♦ The number of disputes from the Disputed ANIs column which have not been resolved and upon which no compensation has been paid.